

RECEIVED
LEGISLATIVE AUDITOR
2007 APR -3 PM 12: 21

NEW HORIZONS, INC.
SHREVEPORT, LOUISIANA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-25-07

NEW HORIZONS. INC.
SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditors Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7-11

SINGLE AUDIT REPORTS

Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	12-13
Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	14-15
Schedule of Expenditures of Federal Awards	16
Schedule of Findings and Questioned Costs	17-18
Schedule of Prior Year Findings	19

WILLIAM E. HUGHES, JR., APC
CERTIFIED PUBLIC ACCOUNTANT

1815-B Military Hwy.
Pineville, LA 71360
Phone (318) 443-5444 Fax (318) 443-5496
email WHUGHESCPA@TP-SOLVE.COM

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
New Horizons, Inc.

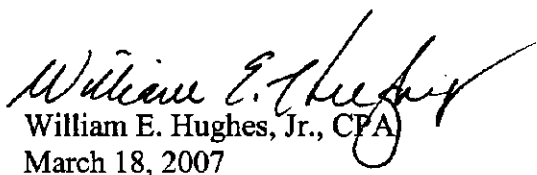
I have audited the accompanying statement of financial position of New Horizons, Inc., (a nonprofit organization) as of September 30, 2006, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons, Inc., as of September 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 18, 2007, on my consideration of New Horizons, Inc.'s, internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of New Horizons, Inc., taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


William E. Hughes, Jr., CPA
March 18, 2007

NEW HORIZONS, INC.

**STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2006**

ASSETS

Current Assets:

Cash and cash equivalents	\$ 67,081
Accounts Receivable	16,935
Contract and Grant Receivables	319,255
Prepaid Exp.	4,848
Total Current Assets	<u>\$ 408,119</u>

Property and Equipment:

Property and Equipment	24,991
Accumulated Depreciation	<u>(16,353)</u>
Net Property and Equipment	<u>8,638</u>

Total Assets	<u><u>\$ 416,757</u></u>
--------------	--------------------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable - Trade	\$ 16,424
Accounts Payable - State Dept. of Health and Hospitals	92,502
Accrued Expenses - Payroll	139,145
Accrued Expenses - Compensated Absences	11,351
Deferred Revenue	14,180
Total Current Liabilities	<u>273,602</u>

Net Assets:

Unrestricted:

Operating	<u>143,155</u>
Total Net Assets	<u>143,155</u>

Total Liabilities and Net Assets	<u><u>\$ 416,757</u></u>
----------------------------------	--------------------------

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	<u>Unrestricted</u>
<u>Revenues and Other Support:</u>	
Federal and State grants	\$ 588,295
Medicaid programs	2,487,316
Other program income	79,432
Total Revenues and Other Support	<u>3,155,043</u>
 <u>Expenses:</u>	
Program Expenses	3,096,653
Supporting services:	
Management and general	29,820
Total Expenses	<u>3,126,473</u>
 <u>Change in Net Assets</u>	28,570
 <u>Net Assets - Beginning of Year</u>	<u>207,087</u>
 <u>Prior Period Adjustment</u>	(92,502)
 <u>Net Assets - End of Year</u>	<u>\$ 143,155</u>

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Cash Flows from Operating Activities:

Increase in Net Assets	\$ 28,570
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	2,030
(Increase) decrease in operating assets:	
Accounts receivables	(11,265)
Grant receivables	(15,039)
Prepaid Expenses	14,275
Increase (decrease) in operating liabilities	
Accounts payable - Trade	(9,993)
Accounts Payable - State Dept. of Health and Hospitals	55,915
Accrued Expenses - Payroll	10,050
Accrued Expenses - Compensated Absences	1,145
Deferred Revenue	14,180
Net Cash provided (used) by operating activities	89,868

Cash Flows from Investing Activities:

Purchase of property and equipment	(4,838)
Net cash provided (used) by investing activities	(4,838)

Cash Flows from Financing Activities

-

Cash Flows from Other Activities:

Prior Period Adjustment	(92,502)
Net cash provided (used) by other activities	(92,502)

Net increase (decrease) in cash (7,472)

Cash at Beginning of Year 74,553

Cash at End of Year \$ 67,081

Required Supplementary Information:

Interest Paid During the Year \$ -

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Expenses	Program Services	Supporting Services, Management & General	Total
Salaries and Wages	\$ 2,318,989	\$ -	\$ 2,318,989
Payroll Taxes	285,024	-	285,024
Employee Benefits	52,610	-	52,610
Contract Labor	20,000	-	20,000
Insurance	32,213	-	32,213
Equipment purchases - Consumer	13,964	-	13,964
Supplies - Consumer	140,177	-	140,177
Supplies - Office	22,827	-	22,827
Training	6,609	-	6,609
Travel	43,246	-	43,246
Dues and Subscriptions	3,877	-	3,877
Contracted Services	51,970	-	51,970
Legal Fees	2,645	-	2,645
Rent	82,361	-	82,361
Postage	10,443	-	10,443
Repairs and Maintenance	1,988	-	1,988
Public Awareness	1,616	-	1,616
Telephone	20,181	-	20,181
Utilities	4,532	-	4,532
Miscellaneous	-	9,170	9,170
Depreciation	-	2,030	2,030
Total Expenses	\$ 3,115,273	\$ 11,200	\$ 3,126,473

The accompanying notes are an integral part of the financial statements.

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

I. Summary of Significant Accounting Policies

A. Nature of Activities

New Horizons, Inc. (New Horizons), is a nonprofit corporation under the laws of the State of Louisiana. New Horizons was established to provide an opportunity for severely handicapped persons to participate in a broad activities program, including community activities, recreation, and other services, to make possible a broader life enrichment program for handicapped persons. The following programs are administered by New Horizons, shown with their approximate percentages of total revenue:

Medicaid — 76 %
Title VII Part C — 13%
Rural Independent Living — 2%
Personal Care Assistance Program — 3%
Durable Medical Equipment — 4%
Program Income — 3%

B. Basis of Accounting

The financial statements of New Horizons have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. New Horizons had only unrestricted net assets at September 30, 2006.

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies (Continued)

D. Income Tax Status

New Horizons is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Services as an organization other than a private foundation. New Horizons, therefore, is not subject to income taxes. However, income from certain activities not directly related to New Horizon's tax-exempt purpose is subject to taxation as unrelated business income. New Horizons had no such income for the years ended September 30, 2006.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

New Horizons cash, as stated for cash flow purposes, consists of interest-bearing and non-interest bearing bank accounts. New Horizons has no other assets that are considered cash equivalents.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The State of Louisiana and the federal government have a reversionary interest in property purchased with state and federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to state and federal regulations. All expenditures in excess of \$250 for property and equipment are capitalized.

H. Revenue and Support

Contributions received may be recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

1. Summary of Significant Accounting Policies (Continued)

Federal and State contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Retirement Obligations

The employees of New Horizons are members of the Social Security System. There are no other retirement plans available through New Horizons.

J. Compensated Absences

Annual leave is earned by employees as follows:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
One year	One week
Over one year	Two weeks

Generally, up to four weeks of unused annual leave may be carried over to succeeding fiscal years.

Sick leave is earned at the rate of one day per calendar month of employment, and accumulates up to twelve days. Employees are not compensated for unused sick leave at termination.

2. Concentrations of Credit Risk

Financial instruments that potentially subject New Horizons to concentrations of credit risk consist principally of temporary cash investments and grant receivables. Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

governmental agencies under contractual terms. As of September 30, 2006, New Horizons had no significant concentrations of credit risk in relation to grant receivables. New Horizons maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 2006, the balance in their bank account exceeded the FDIC insurance level by \$35,521. These excess funds were un-collateralized and un-insured at September 30, 2006.

3. Contract and Grant Receivable

Various funding sources provide reimbursement of allowable costs and payment on units of service in connection with providing services under contracts or grant agreements. This balance represents amounts due from funding sources at September 30, 2006, but received after those dates. The following list indicates those funds due by funding source:

Medicaid	\$ 167,036
Title VII Part C	37,765
Rural Independent Living	2,386
Personal Care Assistance Program	20,418
Durable Medical Equipment	<u>91,650</u>
Total Contract and Grant Receivable	\$ 319,255

4. Property and Equipment

Property and equipment consisted of the following at September 30, 2006:

	Estimated Depreciable <u>Life</u>	
Furniture and equipment	5 - 7 years	\$24,991
Accumulated depreciation		<u>(16,353)</u>
Net investment in property and equipment		\$ 8,638

Depreciation expense for the year ended September 30, 2006 was \$2,030.

5. Federal, State and Medicaid Contractual Revenue

During the years ended September 30, 2006, New Horizons received \$3,075,611 in revenue from federal, state and Medicaid contracts and grants. The continued existence of these funds is based on annual contract renewals with various funding sources. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries;

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

adjustments in future periods may be necessary as final grant settlements are determined.

6. Leases

New Horizons leases space and equipment under several operating leases. Rental costs on those leases for the years ended September 30, 2006, was \$82,361. Commitments under lease agreements having initial or remaining non-cancelable terms in excess of one year as of September 30, 2006, are as follows:

September 30, 2007	45,911
Thereafter	<u>0</u>
Total	\$ 45,911

7. Line of Credit

The Organization maintains a credit line for up to \$10,000. There was no outstanding balance on this line of credit at September 30, 2006.

8. Economic Dependency

New Horizons receives the majority of its revenue from funds provided by state and federal grants as well as through a contract for patient care services provided to Medicaid eligible individuals. If significant budget cuts are made at the federal and/or state level or the Medicaid contract is not renewed, the amount of funds New Horizons receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

9. Prior Period Adjustment

A review by the Louisiana Department of Health and Hospitals (DHH) and their fiscal agent Unisys-Louisiana Medicaid determined that New Horizons was overpaid for the claims submitted to Medicaid in 2004. The amount to be recaptured by DHH is \$92,502. The overpaid Medicaid claims resulted in fiscal year-ending September 30, 2005, unrestricted net assets to be overstated and liabilities to be understated by the same amount. A prior year adjustment of \$92,502 was recorded.

SINGLE AUDIT REPORTS

WILLIAM E. HUGHES, JR., APC
CERTIFIED PUBLIC ACCOUNTANT

1815-B Military Hwy.
Pineville, LA 71360
Phone (318) 443-5444 Fax (318) 443-5496
email WHUGHESCPA@TP-SOLVE.COM

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Directors
New Horizons, Inc.

I have audited the financial statements of New Horizons, Inc., as of and for the fiscal year ended September 30, 2006, and have issued my report thereon dated March 18, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether New Horizons, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.


Internal Control Over Financial Reporting

In planning and performing my audit, I considered New Horizons, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted one matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect New Horizons, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of

management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is a material weakness.

This report is intended for the information of the management and board of New Horizons, Inc., the Legislative Auditor, and federal awarding agencies and it is not intended to be and should not be used by anyone other than these specified parties.


Pineville, Louisiana
March 18, 2007

WILLIAM E. HUGHES, JR., APC
CERTIFIED PUBLIC ACCOUNTANT

1815-B Military Hwy.
Pineville, LA 71360
Phone (318) 443-5444 Fax (318) 443-5496
email WHUGHESCPA@TP-SOLVE.COM

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

The Board of Directors
New Horizons, Inc.

Compliance

I have audited the compliance of New Horizons, Inc., with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended September 30, 2006. New Horizons, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the management of New Horizons, Inc. My responsibility is to express an opinion on New Horizons, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Horizons, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on New Horizons, Inc.'s compliance with those requirements.

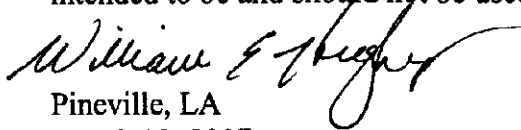
In my opinion, New Horizons, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended September 30, 2006. The results of my auditing procedures disclosed no instances of noncompliance with those requirements.

Internal Control Over Compliance

The management of New Horizons, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered New Horizons, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors and management, and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Pineville, LA
March 18, 2007

NEW HORIZONS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

<u>FEDERAL GRANTOR GRANTORS/PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>TOTAL FEDERAL EXPENDITURES</u>
<u>U.S. Department of Education</u>		
Title VII-B Independent Living	84.169	\$ 122,496
Title VII-C Centers for Independent Living	84.132A	<u>411,534</u>
		<u>\$ 534,030</u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NEW HORIZONS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of New Horizons, Inc.
2. One reportable condition, 2006-1, relating to the audit of the financial statements is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*."
3. No instances of noncompliance material to the financial statements of New Horizons, Inc., were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for New Horizons, Inc., expresses an unqualified opinion.
5. No audit findings relative to the major federal award programs for New Horizons, Inc., were disclosed during the audit.
6. The programs tested as a major program are as follows:

U. S. Department of Education
Centers for Independent Living
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. New Horizons, Inc., was determined to be a high-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

REPORTABLE CONDITIONS

2006-1 Cash Balances were not Insured Beyond FDIC Limits

Condition: New Horizon's, Inc., maintains cash balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit of \$100,000. The Organization has not entered into an agreement

NEW HORIZONS, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

with its financial institution to adequately collateralize their deposits to minimize their risk of loss.

Effect: Collected Balances that exceed the \$100,000 FDIC limit are subject to loss.

Criteria: Internal controls should be in place to ensure that the Organization's cash balances are adequately collateralized or insured against potential loss.

Auditor's Recommendation: Agreements should be in place with financial institutions to collateralize deposits that exceed FDIC limits or implement cash management procedures to ensure that the Organization's deposits are maintained within the federal deposit insurance limit.

Management's Response: The Executive Director agrees with the finding. Procedures will be developed to ensure that the Organization's cash balances are adequately collateralized.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD
PROGRAM AUDIT**

None.

NEW HORIZONS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

The prior year findings and questioned costs for the audit period ended September 30, 2005, are addressed below:

2004-01: Internal Control Finding – Billing procedures for denied claims need improvement to ensure all accounts receivable are collected.

Conclusion: Resolved